

LEGAL OPINION FOR MEXICO

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Setting the legal landscape:

- 1. Briefly explain the broader legal landscape regarding the obligations that a company has to its stakeholders or with regard to its impact on stakeholders, and in particular whether its primary duty is or is not to shareholders over all other stakeholders.**

The General Law of Commercial Companies (Ley General de Sociedades Mercantiles – “LGSM” for its acronym in Spanish) regulates the following business entities in Mexico:

- Private Limited Liability Company (Sociedad de Responsabilidad Limitada – “S. de R.L.” for its acronym in Spanish)
- Private Corporation (Sociedad Anónima – “S.A.” for its acronym in Spanish)
- Private Limited Partnership by Shares (Sociedad en Comandita por Acciones)
- Private Limited Partnership (Sociedad en Comandita Simple)
- Private General Partnership (Sociedad en Nombre Colectivo)

In addition, the Securities Market Law (Ley del Mercado de Valores) regulates the following business entities:

- Investment Private Promotion Corporation (Sociedad Anónima Promotora de Inversión – “S.A.P.I.” for its acronym in Spanish)
- Public Investment Promotion Corporation (Sociedad Anónima Promotora de Inversión Bursátil – “S.A.P.I.B.” for its acronym in Spanish)
- Publicly Listed Corporation (Sociedad Anónima Bursátil – “S.A.B.” for its acronym in Spanish)

The following is a brief explanation of the most used legal entities in Mexico:

- Private Limited Liability Company (“S. de R.L.”). This company is created between partners who are only liable up to their contributions. The equity interests cannot be represented by any transferable instrument; it will only be assignable in specific cases and with the requirements set by the law. The management of this kind of company is performed by one or more managers. Due to these attributes, this entity could be considered ideal for small, medium and even large businesses.

- Private Corporation. (“S.A.”). Legal entity formed exclusively by shareholders whose liability is limited to their contributors. The administration is formed by a sole administrator or by a Board of Directors chosen by the shareholders. This kind of company is the most used in Mexico. The nature of this entity admits the circulation



of the shares. The administration's primary duty is to shareholders over all stakeholders. Same situation occurs with S. de R.L.

- Private Investment Promotion Corporation. ("S.A.P.I."). Regulated by the Securities Market Law specifically, but generally also regulated by the LGSM for a S.A. It has a flexibility regarding allotment of shares, as well as its rights and duties. It can impose different causes for exclusion of shareholders and allow limited liability for damages caused by its directors and executive officers arising from acts performed or decisions taken by them. Minority shareholders have greater participation in the decisions of the company. This company is considered to be a step prior to becoming a S.A.B, and entering into the stock market. Regarding its administration, this company can choose between the administration set for a S.A., or the administration set for a S.A.B. As opposed to the S.A., the S.A.P.I. is not limited to pure equity structures among shareholders; and has flexibility to capture investments.

- Publicly Listed Corporation. ("S.A.B."). This company is regulated under the Securities Market Law. The shares of this type of company trade publicly in the Mexican stock market. The management is formed by a board of directors and a CEO. It has a maximum of 21 directors and at least 25 percent must be independent, the aim with independent directors is to try to avoid conflict of interest for anyone, either shareholders or stakeholders.

In addition, it is important to highlight the existence of the committees for corporate activities and auditing practices, which will be integrated only by independent directors and at least three directors appointed by the board itself. According to the internal regulations of the Mexican Stock Exchange (Bolsa Mexicana de Valores – BMV), the bylaws of this type of companies should follow the principles of corporate governance set under this Law.

The publicity on this kind of companies is essential. This legal entity seeks the independence between directors and shareholders since unlike S.A. or S. de R.L. there is a plurality of shareholders, and in addition the existence of independent directors. Independent directors may not be customers, service providers, suppliers, vendors, partners, directors or employees of a company that is a client, debtor or creditor.

As opposed to S.A.B., the S.A. and the S. de R. L., are not obliged to audit their financial statements or tax returns. S.A., and S. de R. L.'s are the most used in Mexico for business. The LGSM states in its Article 4 the following:

"Companies may perform all the necessary trade acts in order to fulfill its corporate purpose, unless expressly prohibited by law and the bylaws".

Based on this article, it could be considered that the principal duty of the company is with the company itself, and ultimately to its shareholders, over and above any stakeholders, since the main purpose of these types of legal entities is to generate profits to its shareholders. There are no binding provisions or law that expressly establishes accountability obligations of the company to favor its stakeholders or third parties.

2. To what legal tradition does the jurisdiction belong, i.e. civil/common law, mixed?

Mexico belongs to a civil law jurisdiction. Mexican civil law is formed by written and codified laws. However, there is one source of Mexican civil law called jurisprudence. Jurisprudence works in order to find the interpretation and scope of legal precepts to resolve a disputed point of law, it is a precedent created by the Federal courts that must be followed by subsequent federal courts in their decisions. Nonetheless, the fact of using jurisprudence within this legal system does not represent that Mexico applies a common law/civil law legal system.

3. Are corporate/securities laws regulated federally, nationally, provincially or both?

In Mexico the corporate and securities laws are regulated federally. The following are the most relevant laws governing corporation's development:

- General Law of Commercial Companies
- Securities Market Law
- Code of Commerce
- Federal Civil Code
- Foreign Investment Law
- Law on Negotiable Instruments and Credit Transactions
- Federal Tax Law
- Labor Law
- Industrial Property Law
- Competition Law
- Federal Criminal Law
- Federal Anti-Money Laundering Law.
- Federal Anti-bribery and anti-corruption law.

4. Who are the government corporate/securities regulators and what are their respective powers (in summary only)?

For private entities such as the S. A. and the S. de R. L.; regulation is limited although periodic and statistical filing are common and sometimes required. Public companies such as the S.A.B. have more significant regulations.

Notwithstanding the above, there is not just one regulator in charge of the control and supervision of Mexican legal entities. The following are the most common government regulators in Mexico:

Department of Economy- This government regulator is in charge of publishing Summons to shareholders' general meetings, mergers and spinoffs of a company, directors' annual report, and authorization to use the company name, among others.

Department of Foreign Investments. Authorization and control of the foreign investment in Mexican entities.

Department of Finance and Public Credit. A centralized government agency being the highest administrative body for the Mexican financial system. It also houses the Mexican International Revenue Service administrative and collects all federal taxes; which includes customs and trade duties.

National Banking and Securities Commission. Approve public offerings, establish rules for the operations of the stock brokerage firms and stock market, monitor their activities, promote the healthy development of the market, arbitrates conflicts regarding securities transactions.

Mexico's Central Bank. Its primary functions are the regulation and control of credit and exchange monetary policy. It is also the country's representative in negotiations on external debt and with the International Monetary Fund.

5. Does the jurisdiction have a stock exchange(s)?

Yes, the Mexican Stock Exchange, S.A.B. de C.V., located in Mexico City (Bolsa Mexicana de Valores - BMV for its acronym in Spanish) is a public limited company, which is a financial institution that operates with a concession granted by the Department of Finance and Public Credit (Secretaría de Hacienda y Crédito Público - SHCP for its acronym in Spanish), subject to the Securities Market Law. Its objective is to facilitate securities transactions, ensure market development, and encourage its expansion and competitiveness.

6. Do the concepts of "limited liability" and "separate legal personality" exist?

Yes, according to Article 5 of LGSM, the companies shall be incorporated by a Notary Public and registered in the Public Registry of Commerce in order to obtain legal distinction from its shareholders/partners. The foregoing means that a legal entity has the capacity to enjoy legal rights or property, and becomes subject to enforceable legal obligations and liabilities. Therefore, a company can own property, being a party in a contract, sue and be sued, have nationality, domicile and so forth.

Hence, the company could be viewed as acting like a natural person according to the legal world due to its legal capacity granted by the law.

The concept of limited liability is expressed in Articles 58 and 87 of the LGSM; a shareholder/partner of a company is not required to contribute more than the amount unpaid for the shares/ equity interests he owns. This means that the members do not have any liability for the debts of the company if the company becomes insolvent. They are just bound to contribute to any unpaid part of the shares/equity interests they own. The debts of the company do not encroach over to the shareholders partners. A shareholder will not expose his/her personal assets to the company in a dissolution or liquidation to enable the company to pay its creditors.

- 7. Did incorporation or listing historically, or does it today, require any recognition by the company or its directors of a duty to society, an obligation to take account of the company's social or environmental impacts, or to respect its stakeholders? [For these purposes, the term "stakeholders" is distinct from "non-shareholder" and from "shareholder" in that it encompasses both "material audiences" (the providers of financial capital, both debt and equity), as well as "significant audiences" (non-financial stakeholders, such as employees, customers, suppliers, contractors and subcontractors, regulators etc. some of whom may be material to a firm at an entity specific level)].**

Under Mexican law incorporation of any kind of private entity does not require any express recognition of the company or its directors of a duty to society, or an obligation of the company to social or environmental impacts, or in connection to its stakeholders. However, if a S.A.B. wants to participate in the BMV Sustainability Index, it should comply with very high standards regarding social responsibility, environmental issues and corporate governance; including its directors and offices.

- 8. Do any stock exchanges have a responsible investment index, and is participation voluntary? (See e.g. FTSE4Good. Dow Jones Sustainability Index, the Johannesburg Stock Exchange's Socially Responsible Investment Index.)**

The BMV launched the Sustainable IPC Index (Índice IPC Sustentable) in December 2011. The companies that are part of this index are the ones who are already listed on the stock exchange, but in addition stand on sustainability issues according to the principles defined in the UN Global Compact. The criteria evaluated are:

- Management and use of natural resources.
- Social Responsibility with key stakeholders (employees, suppliers, customers and the community in which they work).
- Corporate governance.

This is not considered binding nor voluntary, it is a reward granted to those companies that are socially responsible, based on the growing public interest in responsible investment, and the preference of consumers to select products from companies that develop responsible practices.

Nonetheless, the Code of Best Corporate Practices is mandatory for the companies listed on the stock exchange market.

The companies which are part of a Sustainable Index have greater visibility among the investing public, investment funds, qualified investors and other stakeholders engaged to responsible investment.

To join this Index, the BMV implemented a methodology, in compliance with international principles and practices; this evaluation is developed by external experts.

9. To who are directors' duties generally owed?

Directors' duties are owed to the company itself, and secondarily to the shareholders.

In S.A.B's, according to the Article 29 of the Securities Market Law, the members of the board shall seek to create value for the benefit of the company, and not favoring a particular shareholder or group of shareholders. They must act diligently by adopting rational decisions and fulfilling all the duties imposed by the law or by the bylaws.

10. What are the duties owed by directors-please state briefly.

Article 156 of the LGSM states that: *"The director that has an opposite interest to the company in any operation shall disclose it to the other directors and abstain from taking any deliberation and/or resolution. The director who contravenes this provision shall be liable for any damages caused to company."*

I. Private Companies:

The Sole Administrator or the Board of Directors is the representative body of the company. The directors have a duty of care to the company based on the obligations derived by law and the bylaws. Directors must keep confidentiality regarding the confidential information of the company.

Directors are liable for the accuracy of the contributions made by the shareholders; the compliance of the legal requirements regarding the dividends of the company, the existence and maintenance of accounting systems, or information required by

law; the fulfillment of the resolutions agreed at the company's annual general meetings, assess that the company's records are properly integrated, and arrange shareholders' meetings.

The Directors shall be jointly liable with those other Directors who have preceded them for all the irregularities which have incurred, if they had knowledge and did not denounce it to the Commissioners.

The Board of Directors shall present to the shareholders a financial statement of the company every year.

In addition, according to the Federal Criminal Code the directors can incur criminal liability such as fraud or breach of trust.

II. Public Listed Company:

Establish strategies for conducting business.

- Monitoring the development of the company.
- In conjunction with the Committee's opinion, approve the rules for the use of company assets, relevant financial operations, assets acquisitions, grant warranties, loans, and credits.
- Appointment, and dismissal of the CEO of the company.
- Grant approval to directors in order to take business opportunities for themselves or for third parties.
- Guidelines for internal control and internal audit of the company.
- Set the rules for the company's accounting and financial statements.
- Hiring the company who will provide external auditing services.
- Submit the financial reports to shareholders, CEO reports, issue an opinion regarding the report of the CEO.
- Follow up on the main risks to which the company and subsidiaries are exposed based on external auditing services, accounting, internal control and internal audit, registration, and relevant information.
- Approve the policies regarding the information and communication with shareholders and the stock market.
- Order the public disclosure of the relevant events of the company.

11. More generally, are directors required or permitted to consider the company's impacts on non-shareholders, including impacts on the individuals and communities affected by the company's operations?

Under the LGSM, and as well under the Securities Market Law, the directors of private companies as well as listed companies do not have any duty to establish or consider the company's impacts on non-shareholders, individuals or communities derived from their determinations.

Notwithstanding, best business principals and well regarded business qualifications such as socially responsible company certifications encourage and acknowledge companies that take social commitment into account.

12. If directors are required or permitted to consider impacts on non-shareholders to what extent do they have discretion in determining how to balance different factors including such impacts?

As explained in the previous answer, this is optional and they will have to analyze what are the best policies to take that are in the benefit of the company.

Please refer to question 11.

13. What are the legal consequences for failing to fulfill any duties described above; and who may take action to initiate them?

I. Private entities:

For S.A. and S. de R.L. the liability of the Directors can be demanded by resolution of the General Meeting of Shareholders only, which shall designate a person to perform the proceedings related to such, and its review. In addition, the shareholders representing at least twenty five (25%) percent of the share capital may directly bring an action for civil liability against the Directors.

Based on the above, civil liability under LGSM only applies from the directors by shareholders, and does not include the Directors' liability to third parties. In addition, the Federal Civil Code could be applied under the rules of agency or representation as follows:

“In the acts performed by the agent where he exceeds the capacity of his power, the agent shall pay damages to the principal, and the principal can choose between ratifying the act or leave it to the agent for its fulfillment.”

“An agent who exceeds his powers is responsible for the damages caused to the principal and to the third party with who he hired, only in the case that the third party did not know that the agent was acting beyond the limits of his powers.”

II. Public Listed Company

In addition, for S.A.B., the members of the Board of Directors will fail to comply with its duty of care, and shall be liable when causing financial loss to the company or to the entities controlled by the company when the following occurs: (i) they do not attend the board meetings and due to this the meeting cannot be carried out, (ii)

they do not disclose to the board information which is necessary for the proper decision-making of the company, except if they are legally or contractually bound to confidentiality agreements, or (iii) they breach their obligations under the Law or the bylaws.

Based on the foregoing situation, the Directors will have to pay damages to the company or to its subsidiaries.

Any liability resulting from the acts mentioned shall be enforced exclusively in favor of the Company or the subsidiaries which has suffered economic damages. The action for liability may be filed by:

The shareholders who individually or in group, hold voting shares, and limited or restricted voting shares without voting shares, representing five percent or more of the corporate capital.

According to the applicable criminal codes and the Securities Market Law, if any members of the Board of Directors and Executive Officers of both private and public companies are involved in the illegal use or disposition of funds for themselves or for third parties benefit, Directors and executive officers shall be punished with a prison penalty of five to fifteen years.

14. Are there any other directors' duties which are relevant to the interests of stakeholders?

Not for legal entities regulated under LGSM, however the Securities Market Law considers two principal duties for the directors: (i) the duty of diligence, and (ii) the duty of loyalty.

Duty of diligence. Directors must act in good faith and in the best interest of the Company and its subsidiaries, in order to achieve the above they may:

- I. Request all the company's information for decision-making.
- II. Request opinions from relevant directors and external auditors for decision making.
- III. Postpone the meetings of the board, when they do not have the necessary information for the decision-making.

In summary, the purpose of the duty of diligence could be described as the Directors' obligation to make all the decisions related to the company with all the information available in the company's best interest.



Duty of loyalty. Directors must keep secret all confidential information. Directors with conflict of interest in any matter must not participate or be present in the deliberation and voting on such issue. The Directors shall be jointly liable with those who have preceded them in office, for any irregularities which they have incurred if they have knowledge of such and do not communicate this information to the external auditor.

The directors are bound to inform the audit committee and the external auditor of any irregularities related to the company or subsidiaries during his appointment. Directors will incur in breach to their fiduciary duty to the company and will be liable for damages caused to the company or its subsidiaries when obtaining economic gain for themselves or for third parties, including a shareholder or group of shareholders.

In addition, directors will breach their fiduciary duty if the directors engage in any of the following activities:

- There is a conflict of interest, and when having knowledge of it they proceed to in said Directors' meeting.
- Favor a particular shareholder in detriment of other shareholders.
- Approve transactions without complying with the requirements established by Law.
- Use company's assets for their personal benefit.
- Use confidential information for wrongful purposes.
- Take advantage of business opportunities for their own benefit.

15. For all of the above, if these exist in your jurisdiction, does the law provide guidance about the role of supervisory boards in cases of two tier board structures?

Under the LGSM there are no supervisory boards for private companies. The Securities Market Law in Public Companies establishes that the Board of Directors in the performance of its duties entrusted to them by the Law, shall have the assistance of one or more committees established by it for such purpose. The committee(s) carrying out the activities pertaining to corporate practices and audits shall be composed exclusively by independent directors and by a minimum of three members appointed by the board itself, upon the proposal by the chairperson of such corporate body.

16. Are companies required or permitted to disclose the impacts of their operations (including stakeholder impacts) on non-shareholders, as well as any action take or intended to address those impacts? Is this required as part of financial reporting obligations or pursuant to a separate reporting regime? Please specify for each reporting route whether it is mandatory or voluntary.

I. Private Companies.

Private Companies are not required to disclose the impacts of their operations to non-shareholders, nor is it customary. Directors of Private companies are only required to submit information to its shareholders. This information consists in an annual report regarding the progress of the company and the policies followed by the Directors; a report stating and explaining the main accounting policies and criteria; a financial statement of the company; a statement containing the results of the company during the year; and the statement showing the changes in the financial position.

II. Public Listed Companies

In seeking good corporate practices among Directors, certain disclosures are suggested and others required. The following will apply for the companies listed in the BMV such as S.A.B., thus Article 2 of the Securities Market Law defines relevant information as:

All the information is necessary to understand the company's current financial, administrative, operational, economic and legal situation, as well as its risks, and as the case may be, the information on the corporate group to which it belongs. Provided it has an influence is deemed necessary to take reasoned investment decisions, and an estimate on the price of securities issued by the company.

In addition, article 104 states that listed companies shall be obliged to submit to the Commission and to the BMV, all relevant information for its immediate disclosure to the general public through the BMV.

Moreover, article 105 provides that listed companies are obliged to disclose through BMV, for their immediate disclosure to the public and in the terms and conditions that such exchange establishes, any relevant events, at the time that such events are known to them

Finally, article 106 states that listed companies shall be obliged to immediately report to the investing public, at the request of the Commission or of the BMV, any causes that in their opinion generates any of the following events: (i) Unusual movements in the market with respect to the price or trading volume of their securities, and (ii) changes in the offer or demand of their securities or in their price that are not consistent with their historical performance and that cannot be explained with the information available to the public.

The reporting of false or misleading information on securities or in regards to the financial, administrative, economic or legal condition of a listed company through prospectuses, supplements, brochures, reports and other informative documents and, in general, through any means of communication, shall be prohibited.

III. Public Listed Companies, eligible for the Sustainable IPC Index

In order to qualify for the above mentioned index it is necessary to fulfill certain requirements in connection with Corporate Social Responsibility compliance. These are some of the known rating agencies responsible for marking these reviews:

1. EIRIS (Experts in Responsible Investments)
2. Anahuac University

The following is the criteria used by EIRIS published on its website platform:

1. Environmental policy
2. Social criteria and Stakeholders
 - A) Employee Relationships
 - B) Other Stakeholders: relationships with customers and suppliers.
 - C) Relationship with other stakeholders.
3. Evaluation Criteria business ethics / governance

EIRIS analysis is based on the four key elements of corporate governance:

1. Separate the roles of CEO and Chairman of the Board.
2. The company should have at least a third part of independent directors.
3. The Company should have an Audit Committee whose members are mostly independent.
4. The remuneration of its directors should be published.
5. Percentage of women on the Board.
6. Responsibilities of the Board regarding employees, external stakeholders and the environment.

A) Code of ethics

It should be available to the public, and must contain the following items: (i) a statement that the company and the employees undertake to respect the Law, (ii) a statement that prohibits giving and receiving bribes, (iii) conflicts of interest, among others.

17. Do legal reporting obligations extend to such impacts outside the jurisdiction; to the impacts of subsidiaries, suppliers and other business partners, whether occurring inside or outside the jurisdiction?

As mentioned before, not for Private entities regulated under LGSM. Nonetheless, according to the analysis of boost and practices of the Mexican Stock Exchange for

listed companies, the information contained in legal reports extends to the corporate group to which the company belongs, regardless of its position within the group, provided it that has an influence or affects such situation.

18. Who must verify these reports?

Primarily the National Banking and Securities Commission, Mexico's Central Bank, the Mexican Stock Exchange and external audit firms, when dealing with publicly listed, companies; and regarding private companies they rely on reports from informal inspectors, and private external audit firms.

19. Are there any restrictions on circulating shareholder proposals which deal with impacts on non-shareholders, including stakeholder impacts?

Internal circulation of proposals among shareholders is unrestricted, and commonly presented in shareholders meetings. The meeting can settle and ratify all acts and operations of the company. In addition, all the matters listed on the agenda will be discussed and resolved. Shareholders can propose any actions voluntarily, as long as proposals do not violate any laws or the bylaws.

20. Are institutional investors, including pension funds, required or permitted to consider such impacts in their investment decisions? What is legal duty that pension funds owe with regard to investment decisions in this regard?

There is no legal duty with to consider such impacts. Nonetheless, the company is not forbidden to take them into account at the moment of making investment's decisions.

21. Can non-shareholders address companies' annual general meetings? What is the minimum shareholding required for a shareholder to raise a question at a company's AGM?

Only shareholders are allowed to attend to the general meetings. Non-shareholders can not address companies' annual general meetings.

Under Mexican Law there is no minimum shareholding required for a shareholder to raise a question at a company's Annual General Meeting; although the exercise of minority shareholders rights is subject to minimum holdings.

22. Are there any other laws, policies, codes or guidelines or standards applied in the context of particular contractual relationships (for example project finance) or through adherence to particular sustainability principles (for example the Global Compact, the OECD Guidelines for Multinational Enterprises, etc.), related to

corporate governance that might encourage companies to consider in a structured way their impacts upon and the interests of their wider stakeholders including through a stakeholder engagement process?

The Code of Ethics is issued by the Board of Directors of the BMV, and the Code of Best Corporate Practices is issued by initiative of the Business Coordinating Council and applies to the BMV and all its listed Companies. These instruments are mandatory for companies listed on the Mexican Stock Exchange. The enforceability of these instruments is based on to self-regulation and auto-compliance.

Public Stock and securities exchanges and securities clearance counterparties, by operation of law, shall have the nature of self-regulatory organizations. Additionally, professional associations of brokers-dealers or of investment advisors recognized by the Commission, upon previous approval by its Board of Governors, shall also have the aforesaid nature.

According to the Securities Market Law, the Stock exchange such as BMV shall issue self-regulatory rules to regulate their activities and those of their members, and supervise the compliance of them for which purpose it may impose disciplinary and corrective measures, as well as establish measures; so that the transactions executed therein abide by applicable provisions.

Self-regulatory organizations shall perform periodic evaluations concerning compliance with the standards they issue. The results of such evaluations must be reported to the Trade Commission, if/when they result in administrative infractions or in criminal offenses. Furthermore, such organizations must carry a registry of the corrective and disciplinary measures they apply, which shall be available to the Trade Commission.

As mentioned above, the BMV is a self-regulatory organization and has an Internal Regulation, this regulation states that:

The company shall file before the BMV an application signed by its legal representative or agent where it establishes: (i) granting the power to the BMV for publicizing the disciplinary and corrective proceedings imposed in prior disciplinary proceedings if any, (ii) its adherence to the Code of Ethics, and that (iii) the company has knowledge about the Code of Best Corporate Practices.

The Secretary of the Board will inform the board itself at least once a year, the obligations, responsibilities and recommendations arising from the Code of Ethics, Code of Best Corporate Practices of the BMV regulation and other applicable provisions, as well as the degree of compliance with the latter. The Secretary of the Board shall provide the aforementioned documents to the board members.

Foreign companies whose securities are listed in recognized stock markets may not apply the Code of Best Corporate Practices, but must disclose their corporate principles to the public.

The Code of Ethics is issued by the Board of Directors of the BMV, and the Code of Best Corporate Practices is issued by initiative of the Business Coordinating Council.

According to the Code of Best Practices for companies listed on the Mexican Stock Exchange this is a mandatory provision, in contrast Private companies such as S.A. and S. de R.L. which may voluntarily adopt, or ignore them all together these principles or just have them as recommendations for their corporate governance.

These recommendations seek to define principles that improve the development of the Board of Directors and disclosure to shareholders; such as provide more information on the management structure; set mechanisms to ensure that their financial information is sufficient; promote participation and communication between the directors; and promote adequate disclosure to shareholders.

23. Are there any laws requiring representation of particular stakeholder constituencies (i.e. employees, representatives of affected communities) on company boards?

Under Mexican Law there is no such requirement for any private or listed company. However, Public Listed Companies wishing to be eligible for the Sustainable IPC Index would likely need to comply with certain diversity in their representation in order to qualify for said Index.

24. Are there any laws requiring gender, racial/ethnic, religious or other stakeholder representation; or non-discrimination generally, on company boards?

Under Mexican Law there is no such requirement for any private or listed company. However, Public Listed Companies wishing to be eligible for the Sustainable IPC Index would likely need to comply with certain diversity in their representation in order to qualify for said Index, there are no specific laws requiring gender, racial/ethnic, religious or other stakeholder representation, or non-discrimination on company boards; public or private.

25. In your jurisdiction is there any legal route whereby a parent company can incur liability with regard to the impacts that one of its subsidiaries has had on stakeholder groups? Are there any serious proposals to impose such responsibility?

Under Mexican law the principle of piercing the corporate veil is generally not possible, except for very specific cases of antitrust and criminal acts; such is the general rule.

Publicly listed corporations and the entities controlled by them shall be considered as a single economic unit for purposes of information disclosure, accountability and execution of transactions notwithstanding still being protected by the non-piercing of the corporate veil principal that still applies.

Nonetheless, in 2013 the Fifth Collegiate Court issued multiple opinions on the subject of piercing the corporate veil of a Mexican entity in civil matters. Based on such, Mexico's administrative and judicial authorities are analyzing the legality of the activities and purposes of the companies that are used as a vehicle to abuse to the legal separation between entities and their shareholders in order to carry out fraudulent activities or to avoid legal obligations.

26. Are you aware of any incoming law or proposals that are relevant to the issues raised in this questionnaire? If so please describe, providing an indication of the anticipated date the legislation will come into force or be adopted.

There is no incoming law regarding the issues raised in this document; however the Mexican Stock Exchange believes that it is necessary to encourage the incorporation of sustainable processes and socially responsible practices of listed Mexican companies. For the above reasons, it has started the process to create indexes that can be used as underlying principles for ETFs, and that only consider companies recognized worldwide in terms of sustainability.

Other initiatives in accountability include:

- Working together with ONU to train and encourage more companies to sign the United Nations Global Pact.
- Training and workshops for pension funds on the benefits of joining the PRI (Principles for Responsible Investment) of the ONU.
- Workshops with the BID on carbon projects and consultancy for funding.

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